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The Ontario Committee
~~THE ROYAL COMMISSION ON TAXATION~~
on Taxation
~~Mr. Kenneth LeM. Carter, Q.C., Chairman~~
Mr. Lancelot J. Smith, Chairman

Brief

THE ALUMNI GROUP

SCHOOL OF ECONOMIC SCIENCE

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SUBMISSION BY THE ALUMNI GROUP OF THE SCHOOL OF ECONOMIC SCIENCE TO THE Ontario Committee ON TAXATION

To M. Lancelot J. Smith, Q.C., Chairman of Ont. Royal Commission on Taxation and to the members of the Committee:-

This brief is presented on behalf of the ALUMNI GROUP of the School of Economic Science. The School of Economic Science is a non-profit, non-sectarian and non-political institute chartered by the Province of Ontario. It is a member of the Canadian Association for Adult Education. Extensions and sister schools are active in many countries of the world including the United States, the United Kingdom, Denmark, Spain, the Phillipines, Australia and New Zealand. The purpose of the School is to provide a forum for detached and scientific inquiry into basic principles of political economy as they affect the citizen and the political institutions of society.

Membership in the ALUMNI GROUP is restricted to those who have completed a comprehensive study of the Science of Political Economy and received a diploma for the effort.

The ALUMNI GROUP believes that the price of freedom is continual vigilance. If social or economic injustices exist in our society, the very knowledge of these injustices demand action. Since members come from all walks of life, and form a good cross section of society in general, we feel that we speak with the authority of an informed citizenry. We embrace no special interests save those of sound government and basic human rights.

It is with this impartial point of view that we respectfully submit this brief.

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PART I

INTRODUCTION

It is the intention of this brief to show that the problems in the Canadian economy of unemployment, inflation, recessions, foreign control of industry, tax evasion, high cost of living, complexity of tax regulations and many others are in reality only manifestations of one problem. We intend to show that a sinew of steel, links all of these symptoms in such a way that a tug on the wire in one area automatically triggers off repercussions in all other areas. (1)

THE PROBLEM

This then is the basic problem: <u>The failure of government to stay out of the field of enterprise that is best left to the unrestricted and automatic functioning of private citizens and legitimate corporate bodies; and the failure of the government to husband and administer those assets that, by their very nature, are held in trust for Canadians as a whole</u>. (2)

Trade and commerce can best be carried on by the unrestricted interactions of individuals operating in a free market. This requires no governmental planning past the laying down of ground rules to protect the economic rights of individuals from the encroachment of other individuals or the state. Government usurps these rights by competing in business or assisting privileged groups to earn a living at the expense of all other citizens. In a truly free economy no group can call itself "the backbone of the nation" as every segment is interdependent for its goods and services on every other segment. Therefore, no segment

deserves a privilege, by special governmental consideration, that is denied to any other segment. It is both morally and legally unjust. (3)

The failure of the government to protect the natural rights of property held in common by society, by collecting an adequate tax or rental for the use of this property, has led to the appropriation of these common rights by private individuals. This, in effect, means that governmental bodies have given away, or allowed to be taken away, the very assets of society they are sworn to protect. It means that control of these assets now rests in the hands of a small number of individuals within Canada, and in foreign countries, that should rest only in the hands of our elected representatives. (4)

Render to society that which belongs to society, and to the individual that which truly belongs to the individual. (5)

THE SOLUTION

The majority of taxes levied at the three levels of government are a tax on production and as such lead to slow-downs, cutbacks and in some cases cessation of production. This results in unemployment, recessions and a need for still higher taxes to remedy the problems so created. (6)

At the same time, existing legislation allows private individuals to use the assets of the community at far less than their true market rental value. (7)

The fundtion of government, therefore, is to collect only that which justly belongs to the community and expend only that which will benefit the community as a whole. (8)

The Canadian citizen is now at the breaking point where he pays taxes, taxes on profits and taxes on taxes on profit. He is so shackled by taxes from the cradle to the grave, and beyond, that he has virtually become an employee of the state for 3 hours and 12 minutes of every working day. We now face the immediate decision in Canada of whether the state is created to serve man or man is created to serve the state. Canadians must be free to pursue their private and personal way of life without being hampered by governmental restrictions. A citizens only obligation is to share in the cost of community services in direct proportion to the benefits he receives. No group should enjoy privileges by being exempt from the payment of their just share or by being given a share from the public fund that they have not earned (9)

Therefore, the solution is this:

ONE - The government must vacate the field of private business and remove all taxes and restrictions that hamper the free flow of goods.

TWO - The government must take measures to immediately collect the full economic rent produced by the assets of society and use this fund to run the common business of society. (10)

In the following pages we will present arguments and information to establish these measures as the only just and permanent basis for any change in the tax structure of Canada. We will show that what is needed is a reduction in the number of arbitrary taxes and a return to a simplicity of taxes based on sound and scientific principles. These principles will guarantee the rights of the individual and the rights of society. (11)

In the remarks of Commissioner J. Harvey Perry at the Canadian Tax Foundation's Annual Conference on Nov. 26, 1962, he said: "It would appear from the great amount of unhappy noise he is making that the Canadian taxpayer is badly in need of some form of succor, but before attempting to prescribe, the Royal Commission must make up its mind whether the condition calls for surgery, medicine or phsyciatric treatment. The more precisely the symptoms are described the less danger of a wrong diagnosis". (12)

The ALUMNI GROUP is in full agreement with this line of reasoning. It indicates that the present commission is prepared to treat the malady at depth rather than trying to apply hot poultices and cold compresses to the exterior of the body politic, in hopes that the swelling will temporarily disappear. Out of sight, out of mind, simply means that the internal cancer will erupt at some other place in some other form. (13)

PART II

GENERAL COMMENTS

Since the general aim and purpose of a Royal Commission is to get the correct answers we must proceed by first asking the correct questions. The value of a skillful lawyer comes not from the literary qualities of the witnesses' replies but from the rapier thrust of precise questions that demand precise answers. Only then can the judge and jury render a just verdict. (14)

We propose in the beginning to ask more questions than we answer. We will indicate the answers in summation and also indicate further areas that the Commission may wish to carry out. (15)

FOUR KINDS OF TAXES

All taxes in Canada can be placed in four general categories. The effects on the economy of raising, lowering or abolishing all of those of the same category will be shown. (16)

1) Payment for Value Received

This includes all taxes, levies and licenses where the payee receives some direct benefit from the use of the facilities or goods belonging to society as a whole and would bear a direct ratio to the amount paid. Examples: Local Improvement tax, Water rate, Land tax, Gasoline tax, Toll bridge fee. (17)

2) Payment for Protection and Insurance

This would include all services that the taxpayer does not benefit from directly except in times of emergency. All taxes in this category are in the form of "premiums" to pay for contingencies that cannot be covered by private contract between individuals but must

consist of a contract between the individual and the rest of society.

Examples: Police and fire protection, national defence, criminal and civil law courts, etc.(18)

3) Payment by Ability to Pay

This would include all taxes that government takes from the individual or corporate group in a direct and increasing ratio to the amount earned but gives no corresponding increase in benefits received.

Examples: Income tax, corporation tax, succession duries and inheritance tax. (19)

4) Payment by Ability to Purchase

This is a levy on the cost of production and does not confer any direct or measurable benefit to the taxpayer.

Examples: Federal sales tax, provincial sales tax, liquor and tobacco tax, tariffs and property tax (in installments). (20)

THE RIGHTS OF MAN AND THE RIGHTS OF SOCIETY

The basic principle of human freedom of the individual, living in society, is that what is produced by the legitimate effort of the individual belongs to that individual and what is produced by society as a whole belongs to that society. What belongs to society may be used by the individual upon an equitable payment of rent or tax to society. What belongs to the individual then cannot justly be expropriated for the use of society without recompense, and what belongs to society cannot justly be expropriated for the use of the individual without recompense. (21)

This basic principle of democracy guarantees the rights of the individual in society and the rights of society from the individual. (22)

HOW SOME TAXES INTERFERE WITH THESE RIGHTS

In the light of the preceding paragraphs let us now examine the Four Kinds of Taxes.(23)

1) Effects of Payment for Value Received Tax

This is the most just type of taxation because it clearly measures the benefit that the taxpayer receives from the use of a community asset. It also protects the rights of the community to receive a just rental fee. The simplest example would be the payment of a fare for the use of public transportation. It is also reflected in the higher tax paid on sites in the centre of the city than on those in suburban and rural areas. (24)

2) Effects of Payment for Protection Tax

Many types of insurance rightly belong in the domain of private enterprise when the contract for insurance is of a private and voluntary nature. It remains at the discretion of the individual is he wishes to protect himself from loss of personal possessions by fire or theft, and the loss of earning capacity through sickness and accident. But some types of insurance and protection by their inherent nature are monopolistic as they affect society as a whole rather than the individual. These would include fire protection to safeguard the community, police protection to quell lawlessness and riots, medical health departments to prevent or handle epidemics, and national defense to protect national interests. (25)

No individual should be expected to provide his own police, army, navy or air force. And conversely no government should enter into any contract that concerns only the private business of the individual. The role of government is to do for the individuals

as a group, those things that will benefit the group, but cannot be accomplished by individual action. The role of the individual is to do for himself all that will benefit him personally and that will not interfere with the equal rights of others or the rights of society as a whole (26)

3) Effects of Payment by Ability to Pay Tax

Of all taxes this is the most inequitable and discriminatory in nature. It does not differentiate between those fortunes that have been made by honest toil and those that have been created by some privilege that society has surrendered to the individual. If earnings have been created by the individual they justly belong to the individual. If they have been created by the activities or presence of society then they rightly belong to society. Present tax laws take little cognizance of the essential difference in the nature of what money represents at different times and in different places. (27)

4) Effects of Payment by Ability to Purchase Tax

This is the most vicious of all taxation as it bears most heavily on those who have not the ability to pay. It causes the most human suffering, misery and degradation because by its very nature it must be spread over a broad base of the necessities of life. The hundreds of hidden taxes that adhere to milk, bread, meat and other staples slice a larger percentage off the meagre earnings of the poor than they do off the incomes of the middle or upper classes. Taxes on luxuries can be avoided by not buying luxuries but taxes on necessities can only be avoided by dying.(28)

PART III

BASIC ECONOMIC PRINCIPLES

It is time to return to the ABC's of economics to see where we have gone astray. The professional economists have not yet come up with a solution to the national dilemma. The next few pages will be devoted to a rediscovery of basic truths that we dare to ignore only at the country's peril. (29)

The Two Axioms of Economic Motivation

1) Man seeks to satisfy his desires with the least exertion.
2) Man's desires are unlimited.

Why is wealth produced? Only to satisfy the continuing needs of man. The basic needs of food, shelter and clothing must be met first. It becomes the way then of intelligent man to satisfy these needs with the least possible exertion. When these basic needs have been looked after man then has greater and greater desires which he promptly tries to satisfy with less and less effort.(30)

This is the driving motivation that has led man steadily up the ladder of progress to the high level of civilization that we enjoy today. It is not greedy to want more and more of the finer things of life. It is natural instinct. And it is not laziness to attempt to get them with less and less effort. It is natural reasoning. (31)

The Three Factors of Production

To truly understand the nature of taxes we must first first understand the nature of wealth. From the standpoint of political economy there are only two original elements in the world - man and nature. The active and the passive. (32)

The element nature is the vast warehouse from which man draws all that he needs to sustain life. He dies without access to it. The rolling fields, the trees in the forest, the oil in the ground, the fish in the ocean the wild animals and birds, the acreage under his farms and cities are all vital to his survival. In short, the term LAND is used to designate all that has not yet been changed by the exertion of man. It is passive. (33)

The active exertion of man to wrest the bounty from nature includes the moving, combining, separating, securing or in other ways modifying what is found in nature to fit it for human consumption or use. All human exertion, both physical and mental that enters into this process is termed LABOUR. It is active. (34)

By the application of Labour to Land we create a product not found in nature. This product does not fit into the definitions of the two original elements and indeed is quite different in its properties. To fit into the study of political economy it must be material, be capable of satisfying human desires and have exchange value. This is WEALTH (35)

Wealth then is all of those things grown, manufactured, boxed, piped, moved, separated, combined, drilled, mined, or in any other way fitted for human use. (36)

Money is not wealth since it is incapable of satisfying human desires. We do not eat, wear or sleep in money. Its only value comes when we have exchanged it for wealth that we can use. Money is a receipt for wealth much like a baggage check is a receipt for baggage. (37)

Wealth can be divided into two categories.

First we have those products that are used in their present form to directly satisfy desires. They are used up and cease to exist. (38)

Secondly, we have those products that are not immediately consumed but are used to produce more wealth. The whole range of tools that man uses in creating more wealth is termed CAPITAL. Money is not Capital. It is a receipt for Capital. (39)

These are the three factors of production. There are no others. And the natural laws that govern the interactions of these three factors explain employment, taxation, rent wages, interest and human motivation. (40)

To Sum Up

Land is the entire universe except man and his products.

Labour is all human exertion in the production of wealth.

Capital is that part of wealth used to produce more wealth.

Wealth is all material things produced by human labour for the satisfaction of human desires and having exchange value.

Examples

Field, farmer, tractor - land, labour capital
Stope, miner, drill - land, labour, capital
Tree, jack, saw - land, labour capital
King & Bay, mgmt. & staff, bldg. & furn. - l,l,c.
Iron ore, car assemblyman, dies & jigs - l,l,c.

HOW WEALTH IS DIVIDED

It is possible to have wealth produced by Land and Labour alone, but in our modern society practically all production is aided by Capital. Therefore, all wealth that is produced by Land (the raw materials and natural resources), Labour (the human exertion needed to convert these materials) and Capital (the tools to aid Labour) must of necessity

be divided three ways so that each factor of production receives its share in relationship to its contribution to production.(42)

WAGES is the term used for the share received by Labour. It may take the form of salaries, commission, hourly rates, bonuses, or any other designation but, in economic terminology, the term wages covers all rewards for physical or mental exertion that results in the production of wealth. It is that portion paid to the active factor. (43)

INTEREST is the term used to denote the share that is paid for the use of Capital. It is that amount that is necessary to obtain and replace machines, buildings, trucks, trains and all else necessary to aid production except Land and Labour. It is payment for the use of energy stored up in this passive factor. (44)

RENT is that share of wealth that is paid for the use of Land. This includes all natural resources as well as agricultural and urban land. It is payment for the use of the virginal, passive factor. (45)

The Laws of Rent, of Wages and of Interest.

We now have three clearly defined factors of production (Land, Labour and Capital) and three clearly defined divisions of wealth (Rent, Wages and Interest). It remains to be shown who gets what share and why. This we will do in a correlation of the three laws. (46)

To illustrate how these three laws work let us picture, in our mind, an imaginary island. It is fertile with a few small streams draining into a well protected harbour. It has some open country along with the normal amount

of trees, plains and rocky prominences. It is uninhabited but very habitable. (46)

Along comes a small ship of settlers looking for just such a place to start a new life. They land and, after a short survey, each man picks his piece of land. (47)

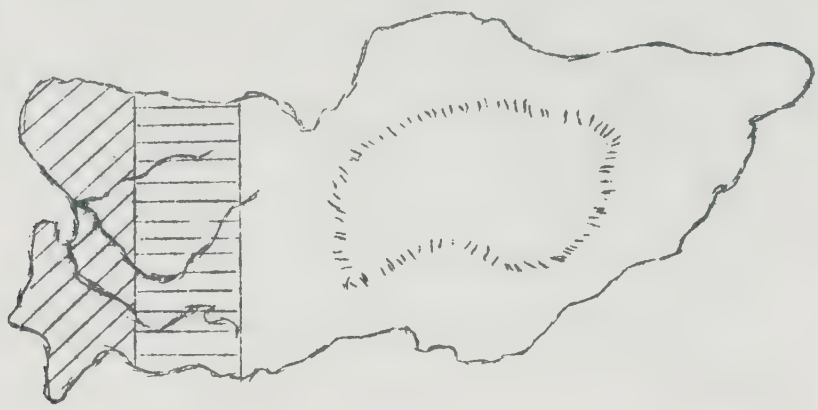
These pioneers know that each acre will yield 100 bushels. With a man doing a full days work, assisted by his faithful mule and plow (his capital), one acre will be a full time occupation. His returns will be diminshed only by the 30 bushels (interest), necessary to maintain and replace the mule and plow, leaving him a comfortable 70 (wages) to live on. This good land is plentiful so each man takes 4 acres - 1 to work on and 3 for some future use. He registers his deed. Since the best land lies in the same general area, the settlers are comparatively close together. (48)

Yield 100

The next year along comes another shipload of settlers. They land. They look the island over and, since all of the 100 bushel land is taken, they settle on the next best land, which will raise 90 bushels with the same effort.

They each take 4 acres - 1 to live on and 3 for future use. Everybody is friendly and life is serene. (49)

Yield 100 90



The following year another ship comes over the horizon with a jolly band of humans in search of a "good place to earn a decent living". They land and survey the situation. They find that they have the choice of going to the 80 land, that can be had for nothing, or settling on some of the unused land and paying rent. (50)

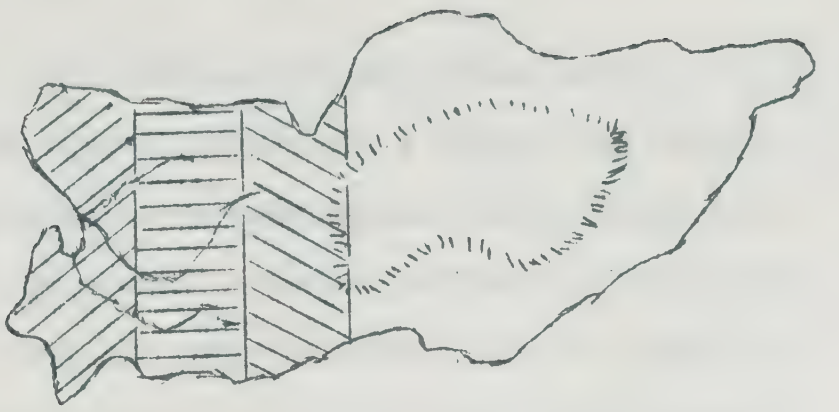
But how much rent? And who decides?

Since every man wants as much as he can get for the same amount of labour the new arrivals decide they <u>will not pay more</u> than 20 for 100-land and 10 for 90-land. The original settlers decide that they <u>will not accept less</u> than 20 for 100-land and 10 for 90-land. The new arrivals have reasoned that they must have 80 left for themselves no matter what land they use. Yearly rental contracts are signed, in an amicable manner, and life returns to normal. (51)

Normal, that is, except that some of the first settlers lay awake nights, wreathed in smiles, at the wonderment of doing no more work than in the previous year for their 70

and having another 60 handed to them for no effort whatsoever. Some of the new settlers wondered a little about this too (52)

Yield 100 90 80

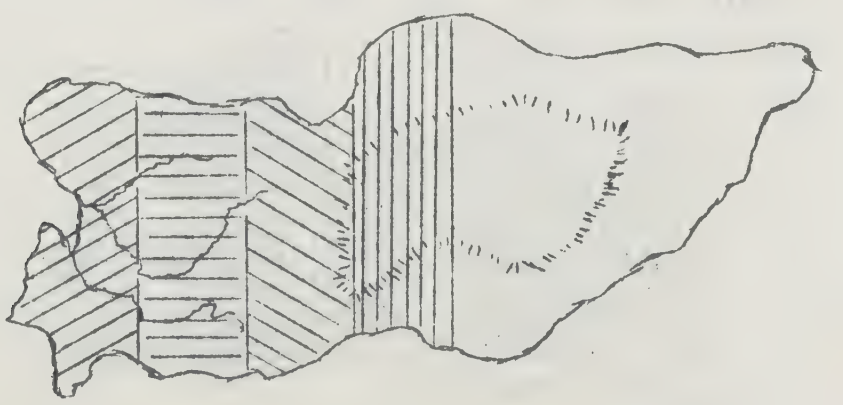


Rent	20	10	Free
Wages	50	50	50
Int.	30	30	30

The next year, long before any ship came into view, settlers were seen down near the shore gazing out to sea. When the ship did finally put into shore there was a mad scramble of activity. All contracts were up for renegotiation. And the best unfenced land was 70. This meant that the rent on the best land would go up to 30 and all wages would drop to 40. (53)

Some of the first settlers got so carried away that when the smoke cleared they found that they had rented all four of their acres for a total of 120 and had no place to live. They were forced to sell their faithful mules (to a used mule dealer) and move on to a third of an acre, down by the beach, in the new community of Firstville. After paying 10 in rent for the third of an acre this left them with 110 with which to support the newly organized country club, cultural centre, etc.(54)

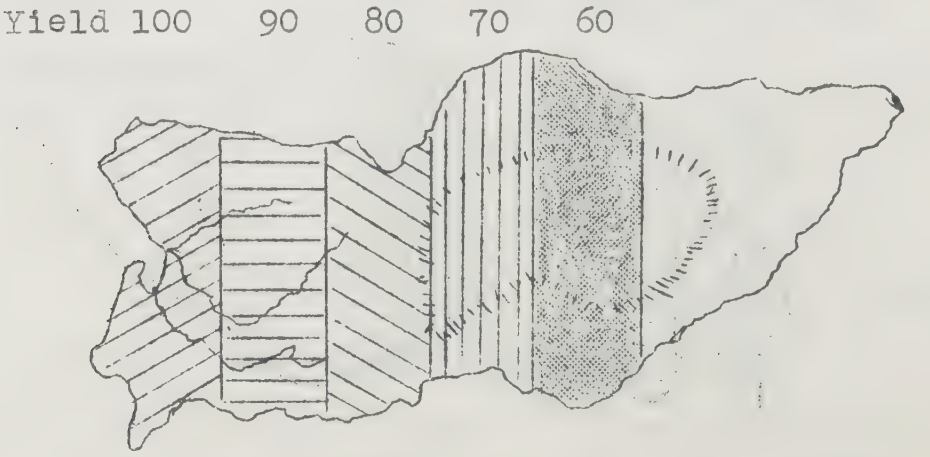
Yield 100 90 80 70



Rent	30	20	10	Free
Wages	40	40	40	40
Int.	30	30	30	30

Small craft put to sea the next year in search of a ship - any ship. When the ship was sighted and shepherded into harbour, by the small flotilla, yearly contracts were quickly signed. When it was all over, wage earners had taken a cut of ten (putting them on the level of the mules), while many members of the Firstville Bridge and Luncheon Club congratulated one another for the fact that by hardowork they had increased their earnings by 40. But they all looked up to one member who, early in the spring had left the land he was renting and staked out half of all the free 70 land on the island. He of course went to the registry office and had it registered in his name, L.P. Turner. He now built a 50-room castle high on the hill overlooking Firstville. (55)

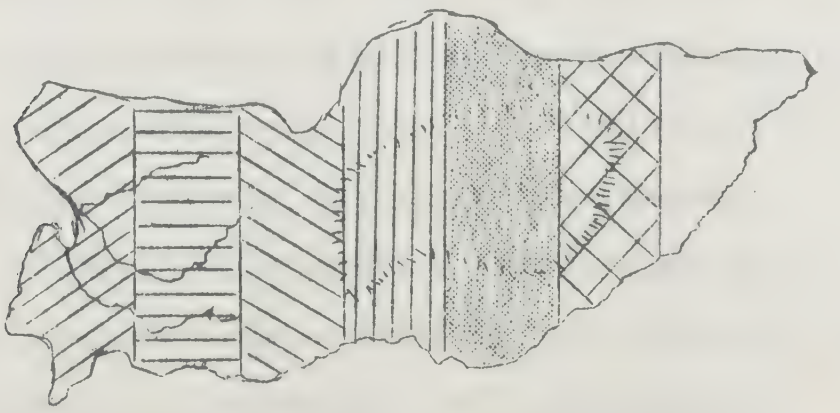
Firstville was now quite a metropolis and demands were being made for all sorts of services - streets, sewers, lights, police, etc. Money was needed badly to fill these demands. The mayor and a properly elected group of "property" owners sat down to deliberate. In their wisdom, and to show no favoritism, it was decided that each mule and each man on the island would be assessed 5 per year. (56)



The next year, after the ship had arrived, the Firstville citizens found that they had 185 (after taxes), E.P. Turner had 23,655 (after taxes), the mules had 25 (after taxes) and the workers had 15 (after taxes). The worker, however, quickly rectified this by kicking the mule forcefully in behind the scenes arbitration, until he got a bigger share. They settled for 20-20. The Firstville citizens, in a burst of charity, subscribed 10 each to the Founders Underprivilcged and Emergency Fund, (E.P.T. set up his own with 175), to help look after the poor and needy sons of workers and sons of mules. (57)

There was unrest in this once serence island. The mules kicked the men and the men kicked the mules. Where once they had worked together in close harmony, they now sometimes stopped to talk things over for a day or two (with a consequent loss of production). Some men were out of work because their mules were too sick and near death to go any further. Some had broken plows and couldn't afford to repair them. The island had problems - unemployment, lack of capital, uncollectable taxes, poverty, sickness, under-production and many others. The end looked near. (58)

Yield	100	90	80	70	60	50	40



Rent	50	40	30	20	10	Free
Wages	20	20	20	20	20	20
Int.	20	20	20	20	20	20

While all this had been going on, one studious new settler had been quietly walking about the island making careful observations. He counted people, looked at soil, measured roads, inspected sewers and a host of other things. And he noted it all in a little black book. His lamp burned late at night for many nights. By mid-winter he had completed his computations. Now it was time to act. During his inspecting he had also noted certain individuals who possessed wisdom and perception, judgment and knowledge, and above all a keen sense of justice. He now called together his commission of five men and one woman and told them of his findings. (59)

He observed that the rent of land is determined by the excess of its produce over that which the same application of labour can secure from the least productive land in use. The Law of Rent.

He observed that interest is determined by the maximum amount Capital can demand without losing the use of Labour. The Law of Interest.

He observed that wages are determined by the maximum amount Labour can demand without losing the use of Capital. The Law of Wages.

In his general obervations he said that Rent, Wages and Interest are all determined at the Margin of Production, i.e. the point between free land and rental land. He pointed out that since man had tamed the mule and made the plow, they were meant to work as a team. Their interests are identical as they must divide whatever wealth is left after Land has first taken its share. He also noted that interest and wages are directly attributable to the effort of Capital and Labour, but rent has no relationship to the efforts of the landholder. In fact, rent is attributable to the collective presence of Capital and Labour.

(60)

Probably his most important revelation to the commission was this startling fact. Where population is densest and the need for community expenditures greatest, rent is the highest. Where population is sparse, and the community needs negligible, rent is the lowest. The members faces lighted up at the profound simplicity embodied in this well-researched and well-thought out principle. (61)

But, did he have a plan? Yes. Since less than 20% owned all of the land, and more than 80% had no voting rights, this would have to be rectified immediately. Since the source of wealth created by society was at the point where it was needed most it would have to be taken as taxes. Since the highest taxes would be at the point where Capital and Labour had participated in its creation, no further demands could be made on Capital or Labour. If Labour increased its skill, and consequently its earning capacity, this entire increase would go to Labour. If Capital improved its techniques of production, and consequently its earning power, the entire increase would go to Capital. But in return for this freedom to increase earnings, without further taxation, Capital and Labour would not be granted any assistance or privilege that was not shared by all others. (62)

The Commission approved the plan heartily and proceeded to put it into effect. Taxes were lifted from the back of the mule and he returned to the fields with his untaxed master. Many Firstvillains of the leisureclass returned to the fields. Others went into the service industries and professions. The Founders Underprivileged and Emergency Fund

was disbanded and the premises turned into a free community centre. Three swimming pools were built. A Firstville Transit Board was set up and a complete surface transportation system was run without the payment of fares. This was deemed equitable as the highest concentration of taxes that paid for it was also found to be the exact centres of highest use. And every day from noon until 10 P.M., on the hour, guided tours were conducted through the 50-room E.P. Turner Castle, high on the hill overlooking the thriving city of Firstville. (63)

This is the end of the story.

PART IV

LASTING EFFECTS OF THIS COMMISSION

Apart from the obvious recommendations that this commission may make to the government regarding sources of revenue, there is a more vital and far reaching purpose to be served. Most taxes and tariffs are computed and levied with flagarant disregard for any scientific principles. Agitation for action is pressed by organized pressure groups and legislation passed as a matter of political expediency. All of these arbitrary measures are like chickens that come home to roost and manifest themselves in unemployment, strikes, inflation, depressed areas, poverty and sordid social problems. Taxes levied because of pressure groups lead to inequities and inequities in society can lead to a general breakdown of the democratic structure. We may find ourselves losing our country to foreign ideologies, as others recently have, through default. If our system is the best in the world then we have nothing to fear, if it isn't, we had better take measures to correct it now. (64)

THE CORPORATION OF CANADA

It might help to visualize the true picture if we take a minute to consider Canada as a corporation and every Canadian citizen as an equal shareholder. The total assets of the corporation would be the value of the country (minus personal wealth) if we were to put it on the auction block tomorrow. (65)

As equal partners we would share equally in the proceeds of the sale. If we rented rather than sold we should share equally in the rental proceeds. Since all parts of the country are not equally desirable they would

not rent for the same amount. But the 18,000,000 new citizens would soon decide by open auction who was going to take what location. And they would be satisifed, knowing that those locations with the highest rentals afforded the best communal services as well as the best trade opportunities. (66)

The ALUMNI GROUP estimates the total value of Canada at $150 billion and the rental value at $10⅓ billion. (67)

Each citizen in Canada, then, has a dual role to play. On the one hand he is an equal owner and entitled to an equal share. On the other hand he is a tenant and as such must pay in accordance to the size and type of space that he wishes to occupy (68)

Of course it is not necessary for each citizen to receive his dividend in cash or by cheque. In fact it would be foolish. All that is necessary is to have that amount applied to the running of the country in lieu of any further taxation. (69)

In this way the citizen would discharge his responsibility to the country and the country would discharge its responsibility to the citizen. It would also insure the economic rights of an individual when ho was born and relieve his heirs of all further duties when he died. (70)

A TAXATION PLAN TO DRIVE THE CANADIAN ECONOMY AHEAD AND REDUCE UNEMPLOYMENT

The taxation system in Canada, at the three levels of government, make it difficult to accumulate capital to invest in industry. When it is accumulated and invested in business, tax destroys the motivation to hit top production levels. Government insists in taking a larger and larger share as production increases. (71)

When a manufacturer has completed all the necessary preparations to start producing he finds he has an unwanted partner - the tax collector. This partner, up to this point, has done none of the planning, scrimping or saving, or taken any of the risk. But from this point on the unwanted partner's voice will assume an ever increasing importance in every decision that the businessman must make. And indeed he may become a type of dictator that will take all major decisions out of the hands of the businessman entirely. (72)

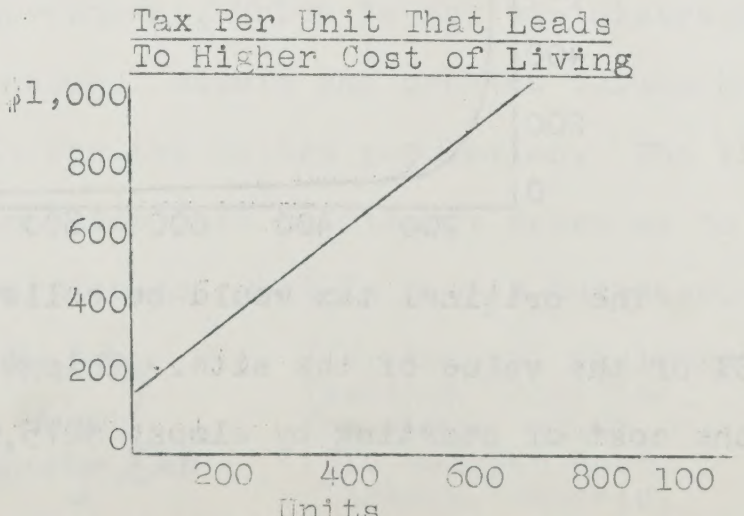
For sake of illustration let us assume that a manufacturer going into business has invested $1,000,000. ($300,000 to buy the site and $700,000 for building and equipment). He is going to turn out a unit that sells for $3,000. (before taxes). Assume that unit production costs remain constant. (73)

There are three ways in which a tax on this business can be levied. (74)

1) An Increasing Tax Per Unit Produced

On the first 100 units the tax would be 5%, and would increase by 5% on each 100 thereafter. This is the effect produced by the Corporation Tax that rises to 52% and the Income Tax that rises to 80%.

At some point this business will cut back or fail with the consequent increase in unemployment. In any case it adds to the upward spiral of the cost of living. (75)

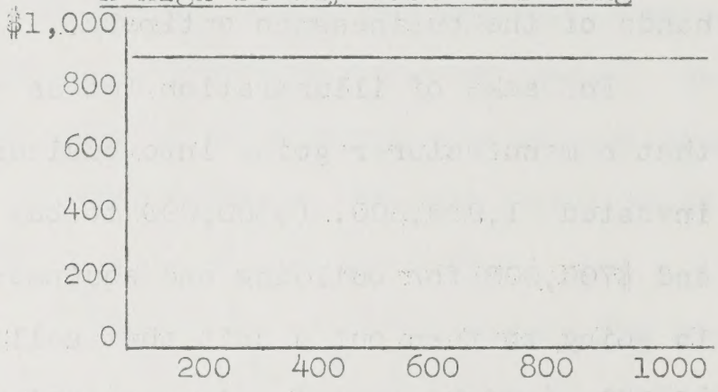


2) A Constant Tax Per Unit Produced

On all units the tax is a flat 30%. This means that prices will start high and remain that way because there is no way to reduce them. (76)

If this tax is levied near the level of the original manufacturer it means that all subsequent handlers will make a profit on the tax. This is true of all Sales Taxes except those collected at the point of sale. (77)

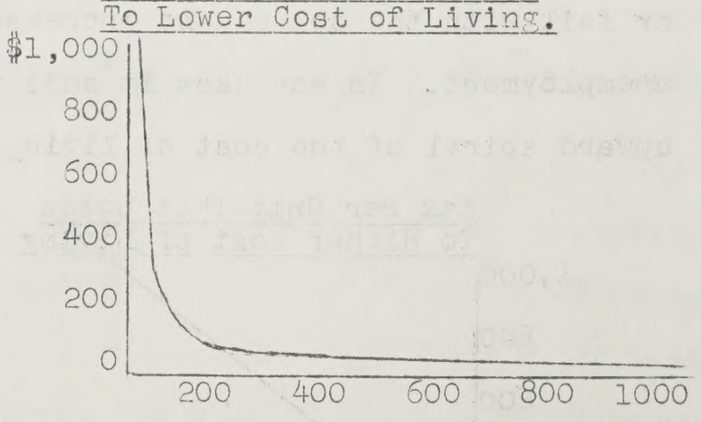
Tax Per Unit That Leads To
A High Steady Cost of Living



3) A Reducing Tax Per Unit Produced

Before production starts a $24,000 tax is paid. Although no further taxes would be collected, in effect, the tax rate on the first unit would be 800% (if no further units were produced). If only 100 units were produced the percentage would be 8 in effect. When 1000 units have been produced the rate would have dropped to .8%. Thereafter, it would reduce to insignificance. (78)

Tax per Unit That Leads
To Lower Cost of Living.



The original tax would be collected on 8% of the value of the site. This would reduce the cost of starting by almost $275,000.

PART V

RECOMMENDATIONS

The ALUMNI GROUP respectfully makes the following recommendations on behalf of all Canadians. (80)

FIRST: The government must immediately vacate the sphere of business that can best be carried out by private individuals and corporations operating in a truly free and competitive market. (81)

SECOND: An atmosphere of 100% free trade must be created in Canada. This would include absolute and unrestricted trade with other nations and absolute free trade between individuals within the country. By establishing an Economic Bill of Rights, labour could not be exploited and would find employment at the highest point of return. (82)

THIRD: The government must appropriate to itself, in the form of taxes, those values created by society as a whole. The government must control, by means of taxes, those natural monopolies that are properly the only business of government. (83)

FOURTH: The government must create a clean cleavage, giving business the unrestricted right to carry on legitimate business in any manner it sees fit. It must also remove all special privileges and subsidies that have been given to a select few at the expense of the many. Then it must concentrate on running the business of government, which is the administration of the natural assets and created values held in trust for the entire population. The line of demarcation must be clearly drawn as to what is private and what is public business. (84)

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